

Shelter Briefing: Budget Debate 2021

Shelter is the UK's largest housing and homelessness charity. Throughout the COVID-19 pandemic, we have continued to give information, support and advice to millions of people struggling with bad housing and homelessness.

For generations, social housing played a vital role in meeting the housing needs of ordinary people, giving millions the quality and dignity of life that insecure and unaffordable private renting could not. A steep decline in social housebuilding has contributed to an increase in homelessness and a huge rise in private renting, as more and more cannot afford to buy a home. Councils are spending over a billion pounds a year on temporary accommodation to house homeless households.

The 2021 Budget made it clear that the Chancellor recognises that the economic impact of COVID-19 is far from over. However, if we are to truly build back better from the pandemic then housing must be at the heart of our recovery.

In order to tackle the housing emergency, we must invest in social housing, provide further protections to private renters, and ensure that housing benefit is fit for purpose. Shelter is calling on the government to:

1. **Strengthen the welfare safety net**, by removing the benefit cap, making the Universal Credit uplift permanent, and unfreezing Local Housing Allowance.
2. **Give security to private renters**, by bringing forward the Renters Reform Bill and finally putting an end to Section 21 "no fault" evictions.
3. **Invest in a new generation of social housing**, to lift hundreds of thousands out of homelessness and poor housing into affordable, permanent homes.

The housing emergency

In England, we face a national housing emergency, one driven by a long-term failure to build enough homes, and particularly enough social and affordable homes, and compounded by a housing benefit system that all too often fails to enable people to pay rent. The results of this are stark:

- During the pandemic, more than 67,000 families spent lockdown living in temporary accommodation, including more than 136,000 children.
- Home ownership is in decline – the English Housing Survey shows that 64% of households owned their own homes in 2019/20, down from a peak of 71% in 2003. At the same time the average home in England now costs eight times more than the average annual pay packet and the share of income that young families spend on housing has trebled over the last 50 years.
- Private renters spend, on average, 38% of their household income on rent. These high costs mean more and more will never be able to save enough to buy a home of their own; two thirds of private renters have no savings at all.
- At least 2,688 people slept rough on our streets at the height of the pandemic - a decrease of 37% thanks to the extraordinary efforts of councils during the Everyone In initiative to accommodate rough sleepers during the pandemic, but still a 52% increase since 2010.
- Social housing can more effectively address the affordability problems that lead to homelessness and needs to be at the heart of our plan to end the housing emergency. However, in 2019/20 just 6,566 new social rent homes were delivered in England - despite 1.1 million people being on housing waiting lists. In the same year we lost 28,796 social homes through sales, and demolitions. This means that overall, today, we have 22,230 fewer social rent homes today than this time last year.

In this parliament there is an opportunity to turn this around and begin the job of tackling the national housing emergency we face.

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Budget 2021: Overview

The Chancellor of the Exchequer made a number of announcements in last week's Budget, which recognised that the economic fallout of the pandemic is far from over, and that emergency measures were still needed. This included:

- **Extending the Universal Credit £20 uplift:** In March 2020, the Chancellor announced that the Universal Credit standard allowance would be increased by £20 a week. This measure has been an essential lifeline to millions of people throughout the pandemic, and Shelter has joined many other charities in calling the government to make this uplift permanent. Unfortunately, in last week's Budget the Chancellor announced that this uplift will come to an end in six months' time – meaning this lifeline will be removed as the furlough scheme comes to an end, and when the Office for Budget Responsibility forecasts that unemployment will peak. The Joseph Rowntree Foundation predict that this will pull half a million people (including 200,000 children) into poverty. The government must make this uplift permanent to keep families afloat, and to prevent unemployment support falling to its lowest level since 1990 in the middle of a recession.

The Chancellor also announced that exemptions to the shared accommodation rate for Local Housing Allowance would be brought forward, ensuring that independent living is a more affordable possibility to young people who have experienced homelessness. This is a welcome announcement which will help many vulnerable young people, such as care leavers, those who have experienced homelessness, domestic abuse or trafficking.

- **Bringing forward exemptions to the shared accommodation rate:** The Shared Accommodation Rate usually applies to anyone claiming Local Housing Allowance who is under the age of 35 and renting privately. At last year's Budget, the Chancellor announced that young people under the age of 25 who are care leavers, have experience of homelessness, domestic abuse or trafficking will be eligible for the one-bedroom Local Housing Allowance rate instead of a room in a shared house, allowing them access to independent living. These changes were originally planned for introduction in October 2023, and Shelter welcomes the government's effort to bring the implementation date forward to June 2021, to ensure vulnerable young people who have been particularly impacted by COVID-19 can access the full rate of Local Housing Allowance as soon as possible.

Unfortunately, many of the measures announced in the Budget will not address the root causes of the housing emergency or help those struggling at the sharp end of it. These measures included:

- **Mortgage guarantee scheme:** The Chancellor announced a new mortgage guarantee scheme (available to homeowners, and not just first-time buyers), which would offer government backed 95% mortgages in a bid to "turn 'generation rent' into 'generation buy'". However, research by Shelter shows that this scheme will only reach a very small proportion of the most affluent private renters, doing absolutely nothing to help the overwhelming majority of renters – two thirds of whom have no savings whatsoever.

The average house price for a first-time buyer in England is £224,600. A 5% deposit on a home of this value would be £11,200 and typically require a household income of £59,300. The average income of a renting household in England is just £20,911: a third of what would be typically required to have enough saved to qualify for the new mortgage guarantee scheme.

Moreover, at least half a million private renters have fallen into rent arrears during the pandemic, and there has been no support brought forward to help these renters clear arrears built up during the COVID-19 crisis. The mortgage guarantee scheme cannot possibly address the huge challenges facing the countless families in the private rented sector, who are struggling with

unaffordable rents, insecurity and poor conditions every day.

- **Stamp duty holiday extension:** The Chancellor also confirmed that the stamp duty holiday will be extended for three months for homes under £500,000, before dropping down to homes under £250,000 until September 2021, when it will return to normal. As with the mortgage guarantee scheme, the stamp duty tax cut has been of no help to the majority of private renters, who have no savings at all and can only dream of owning their own home.

Budget 2021: What was missing?

- **Social housing:** There were no new measures to increase the delivery of social housing in the Budget, and there was no mention of the need to tackle the country's social housing shortage. It is widely recognised that England needs at least 90,000 new social rented homes a year to overcome our decades' long shortage of social homes that is pushing people into expensive private renting and homelessness. This level of social homebuilding is the only way to get to grips with the root cause of our housing emergency, and was the level recommended by the Housing and Communities Select Committee as part of their inquiry into the long-term delivery of social and affordable housing last year.¹

However, over the last five years social homebuilding has averaged less than 6,500 homes a year, less than 10% of the amount that's needed. As the COVID-19 crisis begins to ease, building more social housing is going to be an absolutely essential part of helping many people and families exit the terrible housing situations they have been forced to confront during lockdown and to boost economic growth.

- **Local Housing Allowance (LHA):** In March 2020, the Chancellor made the welcome decision to realign LHA, housing benefit for private renters, so that it once again covered the cheapest 30% of rents in every market area. After years of cuts and freezes, LHA had previously fallen so far behind the true cost of renting that it did not cover the cheapest 30% of rents in 97% of areas in England – pushing many into debt, rent arrears and homelessness. LHA must never fall so far behind the cost of renting again.

However, the Chancellor missed an opportunity to ensure that LHA continues to reflect the true cost of renting going forward. Instead, LHA has been frozen at its current rate, and because rents have risen ahead of the rates, we are already seeing shortfalls between the cheapest 30% of rents and the local LHA rates in most areas of England. These shortfalls are not insignificant. In Leeds, if you are renting a modest two-bedroom home at the 30th percentile, you already need to find an extra £54.86 per month on top of your LHA rate just to cover rent. For those renting a three-bedroom home in Oxford at the 30th percentile, this shortfall is nearly at £95. With the LHA rates already failing to cover rent for 54% of Universal Credit claimants, people are seriously at risk of rising arrears, evictions and homelessness.

- **Support for private renters in arrears:** At least half a million private renters have fallen into rent arrears as a direct consequence of the COVID-19 crisis. Shelter joined other charities and organisations in the run up to the Budget to call on the Chancellor to bring forward a targeted financial package to help renters pay off arrears built since lockdown measures started in March 2020. This will help to sustain existing tenancies and keep renters in their homes – whilst also ensuring rental debt does not risk them finding homes in the future.

¹ HCLG Select Committee, Building More Social Housing, July 2020

- **Cladding crisis:** with thousands trapped in unsafe homes across the country and facing massive bills through no fault of their own, it is time to end the cladding scandal. Shelter had expected to see decisive action from government and details of how the recent additional funding could be spent and allocated.

Building back better must have housing at its heart

The Chancellor spoke about building back better from the COVID-19 pandemic, but the housing emergency was a glaring omission from his statement. If we are to truly build back better from this crisis, investment in affordable housing must be at the heart of the recovery.

In order to lift hundreds of thousands out of bad housing and homelessness, as well as stimulate local economies, Shelter is calling on the government to:

- **Invest in social housing:** the government must increase capital investment in social housing, to significantly ramp up government grant investment as consumer demand for market homes to buy is hit by the recession. Investing £12.2 billion in affordable housing over the coming two years would deliver 173,100 affordable homes over and above existing government plans, all of them social rented. This should provide the springboard to long-term investment in social rented housing of £12.8 billion a year, to deliver the social rented homes we need to break the back of our housing emergency.

It is also crucial that the government brings forward further measures to protect those at the sharp end of the housing crisis, by ensuring that the social security safety net is fit for purpose and by making the private rented sector secure and affordable. That means:

- **Introducing a dedicated fund** to help the hundreds of thousands of private renters to clear rent arrears built up in the pandemic.
- **Unfreezing Local Housing Allowance** and realigning it with the 30th percentile of rents.
- **Removing the benefit cap**, which is pushing hundreds of thousands into debt and destitution.
- **Making the £20 uplift to Universal Credit permanent** to avoid pushing families into poverty
- **Scrapping Section 21 “no fault” evictions** and giving private renters security in their homes by urgently bringing forward the Renters Reform Bill.

Shelter’s submission to the Budget 2021 can be accessed [here](#). For more information, please contact reshima_sharma@shelter.org.uk.